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Final Report of the Senate Hartsfield-Jackson Atlanta International Airport Operations and Authority Creation Study Committee (SR 882)

Committee Members

Senator Burt Jones, Chair
District 25

Senator Mike Dugan
District 30

Senator Steve Gooch
District 51

Senator Butch Miller
District 49

Senator Freddie Powell-Sims
District 12

Senator Brandon Beach
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Senator David Lucas
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Senator Valencia Seay
District 34

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COMMITTEE FOCUS, CREATION, AND DUTIES

The Senate Hartsfield-Jackson Atlanta International Airport Operations and Authority Creation Study Committee (Committee) was created with the adoption of Senate Resolution 882 during the 2018 Legislative Session. The Committee was charged with undertaking a study of the transfer operations of Hartsfield-Jackson Atlanta International Airport to an authority that might best serve and protect the citizens of the State of Georgia. The Committee shall study to determine what federal laws and regulations must be complied with to accomplish a transfer of the airport and what financial obligations must be considered in making such a decision.

The following individuals were appointed by the President of the Senate to serve as members of this Committee:

- Senator Burt Jones of the 25th, Chair
- Senator Mike Dugan of the 30th
- Senator Steve Gooch of the 51st
- Senator Butch Miller of the 49th
- Senator Freddie Powell-Sims of the 12th
- Senator Brandon Beach of the 21st
- Senator Ed Harbison of the 15th
- Senator John Kennedy of the 18th
- Senator Jeff Mullis of the 53rd
- Senator Gloria Butler of the 55th
- Senator Tyler Harper of the 7th
- Senator David Lucas of the 26th
- Senator Valencia Seay of the 34th

The following legislative staff members were assigned to this Committee: Ms. Ines Owens of the Senate Press Office; Ms. Jenna Dolde of Legislative Counsel; Mr. Ryan Bowersox of the Senate Research Office; and Ms. Denese Sampson, Legislative Assistant to Senator Burt Jones.

BACKGROUND

Hartsfield-Jackson Atlanta International Airport is located 7 miles south of Atlanta's central business district in areas of Fulton and Clayton county Georgia. Since the Airport's founding in 1925, Hartsfield-Jackson has steadily grown in volume to become one of the world's business airports. Since 1998, Hartsfield-Jackson has been the world's busiest airport in terms of passenger traffic, and consistently one of the world's busiest airports in terms of takeoffs and landings. Hartsfield-Jackson accommodated approximately 103.9 million passengers and 880,342 operations in 2017. The airport has grown to currently include five runways, 193 gates, and seven concourses.

Despite all of Hartsfield-Jackson's large industry and economic success, the Airport and its management have been consistently plagued by corruption and scandal. Since the early 1980's, Atlanta's Airport has repeatedly been the epicenter of indictments, bribery convictions, and allegations of unfair contracting and bidding. These incidents have fueled a perception surrounding the Airport of unlawful and unethical behavior supported by political corruption.¹

Hartsfield-Jackson Atlanta International Airport is owned by the City of Atlanta and operated by the Atlanta Department of Aviation. The Department of Aviation is one of several departments within the city organizational structure which reports to Atlanta's Mayor.² It is one of several common management structures for airports to be owned and operated by a governmental entity, such as a city or county. In the United States it is most common for airports to be run by either a pure municipal entity or a quasi-governmental authority. Of the 50 busiest airports in the United States, 26 are operated by a municipal entity, such as a city or county, and 22 are operated by authorities.³

Both governance structures provide unique advantages and disadvantages. Proponents of a pure municipal airport governance structure, such as the one Hartsfield-Jackson currently employs, argue that this structure allows for citizen recourse over management by elected officials and benefits of intergovernmental coordination. Critics of municipally run airports argue that election results can hurt continuity of management and that oversight may be less business-like, particularly hurting decision-making and implementation speeds. Additionally, there is a concern that municipalities are required to manage many functions, pulling attention from airport governance.⁴

Proponents of authority management structures of airports argue this governance structure allows for a more business-oriented approach, solely focused on airport management, and capable of quick decision-making. Furthermore, this management structure creates clear financial and political independence from other government entities. Critics of authority management structures argue that the structure is less responsive to citizens and less effective at coordination with separate local governments. Institutions in Georgia, such as

¹ See, e.g., Kerwin C. Swint, Contracting at Hartsfield-Jackson Airport: The Need for Pay-to-Play Reform in Atlanta, A Project of Common Cause Georgia, May 2011.

² See Appendix A for City Organizational Structure.

³ Information found via Airport IQ 5010.

⁴ Charlotte Airport Governance Study Final Report, Oliver Wyman, (May 1, 2013), <http://charmack.org/city/charlotte/Documents/Airport%20governance%20study/20130501%20CLT%20Airport%20Governance%20OW%20vf.pdf>

the Georgia World Congress Center Authority and the Georgia Ports Authority, already utilize similar authority governance structures.⁵

In 2013, at the request of the City of Charlotte the consulting firm Oliver Wyman, completed a review of airport governance models, and provided recommendations regarding the future governance of Charlotte Douglas International Airport. The report concluded in part, that despite the Charlotte Airport's success, and no evidence of wrong-doing, mismanagement, or other failing by the City, a properly structured authority was the more effective form of governance for the Airport. The report made this conclusion for the following reasons:

- “A properly-structured airport authority reduces the amount of political involvement in airport management, which enables airport managers to better concentrate on running the airport most effectively.
- A properly-structured airport board is able to function much like a corporate board to add value by focusing on and understanding the business of the airport.
- The finances of a properly-structured authority are completely separated from that of the city/county/state in which it is located, thereby ensuring that the airport contracts and pays for only the services it needs and uses.
- A properly-structured authority is able to develop its own contracting and procurement policies, which are likely to lead to more nimble procurement and possibly lower costs.
- A properly-structured authority is able to develop a compensation system that enables it to attract and retain top talent.”⁶

⁵ *Id.*

⁶ *Id.* at 39-40.

COMMITTEE MEETINGS

Meeting 1 – August 22, 2018

The first meeting was held on August 22nd at the Georgia State Capitol. The Committee heard testimony from the following individuals:

- **Dr. Michael Bell**, Author of *Major-Hub Airport Administration and the Public Authority Structure: A Case Study of William B. Hartsfield Atlanta International Airport*
- **Mr. Robert S. Highsmith, Jr.**, Partner, Holland & Knight; Government Affairs & Legal Counsel for City of Atlanta

During the Committee's first meeting, Dr. Michael Bell presented information covered in his 1980 dissertation regarding Hartsfield-Jackson Atlanta International Airport. Dr. Bell presented his dissertation as exploring the common-sense idea of applying a public authority structure to the Atlanta airport. Dr. Bell presented the following two conclusions from his original dissertation, explaining that both conclusions are still applicable to the airport in the present day:

- The administrative efficiency of Atlanta International Airport would be considerably enhanced as the result of the imposition of a public authority administrative structure particularly in the areas of financial autonomy, the depolarization of the personnel function and the equitable settlement of the multi-jurisdictional issue.
- The contemporary political and economic forces at play, both in relation to the Atlanta metropolitan area as a whole and the environment of the air transportation industry specifically, highlight the fact that administering the facility in question under the public authority structure would, in the long run, be beneficial both in relation to considerations of political equity and the efficient provisions of services to the traveling public.

Dr. Bell explained that the success of the Airport should be primarily attributed to its usefulness as an air transportation hub. He stated that the problems of the Airport would make it well suited for a new administrative structure, and that an authority would be better suited to make decisions in a business-like structure.

Mr. Robert S. Highsmith presented on behalf of the City of Atlanta to assure the Committee that the Airport was currently properly managed and explained that city management of an airport is very common. Mr. Highsmith cited the airports numerous awards and commercial success as evidence on proper management.

Meeting 2 – September 12, 2018

The Committee's second meeting was held on September 12th at the Georgia State Capitol. The Committee heard testimony from the following individuals:

- **Mr. Matthew W. Nichols**, Partner, Parker Poe Adams and Bernstein LLP
- **Mr. Robert S. Highsmith, Jr.**, Partner, Holland & Knight; Government Affairs & Legal Counsel for City of Atlanta
- **Mr. Roosevelt Counsel**, Chief Financial Officer, City of Atlanta; Former General Manager, Hartsfield-Jackson Atlanta International Airport
- **Mr. Douglass Selby**, Partner, Hunton, Andrews, Kurth
- **Mr. Doug Richardson**, Chief Financial Officer, Hartsfield-Jackson Atlanta International Airport
- **Mr. Woody Vaughan**, Partner, Holland & Knight

During the Committee's second meeting, Mr. Matthew W. Nichols, an attorney with over 25 years of experience with public finance clients, provided information on Airport Revenue Bonds. Mr. Nichols provided the Committee with an overview of municipal bonds, the purpose of their issuance, and how various bonds are secured. After this brief overview, Mr. Nichols provided the Committee with specific information regarding Hartsfield-Jackson and the Airport Master Bond Ordinance, which prescribes the basic terms, conditions, limitations, and restrictions of the Airport, its revenues, and bonds. Mr. Nichols presented information to the Committee on the current outstanding airport bonds. He explained to the Committee the requirements associated with the airport revenue bonds for a transfer of the airport as a whole to a different entity. Mr. Nichols outlined to the Committee how the Airport could be successfully transferred to the State. He explained that a transfer would allow the bonds to keep their basic security features and that these bonds would not impact the State's credit rating or count against the State's debt limit.

Next the Committee heard testimony from Mr. Roosevelt Counsel, Mr. Douglas Selby, Mr. Doug Richardson, and Mr. Woody Vaughan representing the City of Atlanta and the Airport collectively as a panel (Panel). The Panel provided information of Hartsfield-Jackson, its financial performance, and future improvements. The Panel cited that the regional economic impact of the Airport is approximately \$64 billion and 448,696 jobs. Next, the Panel provided additional information regarding the Airport's bonds. The Panel explained the City has issued long-term debt in the form of Airport General Revenue Bonds (GARBs) and Airport Passenger Facility Charge and Subordinate Lien General Revenue Bonds (Hybrid Bonds). The City has additionally secured funding with Bond Anticipation Notes and Commercial Paper Notes (Notes). The Panel provided a general overview of these types of debt and the current outstanding amounts. As of September 1, 2018, there was \$1,523,635,000 outstanding in GARBs, \$767,680,000 outstanding in Hybrid Bonds, and \$605,114,000 outstanding in Notes. The Panel outlined Hartsfield-Jackson's superior credit ratings in comparison to other airports. Finally, the Panel explained several restrictions and potential obstacles to a transfer of the Airport.

Meeting 3 – October 3, 2018

The Committee's third meeting was held on October 3rd at the Georgia State Capitol. The Committee heard testimony from the following individuals:

- **Mr. Dale Cardwell**, Consumer Investigator, TrustDale
- **Mr. Blake Swafford**, Hanson Professional Services Southeast Region Aviation Lead; Former Airport Manager, Paulding Northwest Atlanta Airport (2006-2016)

At the third Committee meeting, testimony was heard from Mr. Dale Cardwell, a consumer investigator and advocate with over 33 years of experience in the field. Mr. Cardwell presented information to the Committee regarding his findings on the negative experiences individuals have encountered attempting to receive contracts at the Atlanta Airport. Mr. Cardwell provided the Committee background on City affirmative action programs, including the Minority and Female Business Enterprise (MFBE) effort. While, Mr. Cardwell acknowledged the good intentions and positive impact of these programs, he highlighted some of the shortcomings the programs have experienced. Notably, he outlined how these programs have been manipulated by individuals for purposes contrary to their intent. Mr. Cardwell explained that through his investigation, he found that political connection was the determining factor in who is awarded airport contracts, and this has resulted in huge wealth

for the politically connected few. Mr. Cardwell sees the Atlanta Airport contracting as a prime example of cronyism. Mr. Cardwell also highlighted an Airport contracting case as an example of an improper contract award. Despite proper procurement procedure not being followed, an advertising bid was awarded and subsequently renewed numerous times to a company. This company did not meet proper minority requirements and did not perform as required under the contract, but was still able to maintain this lucrative Airport contract. Mr. Cardwell concluded that he was under the opinion that the procurement process needed further oversight, and the Airport could benefit from state oversight in the process.

The Committee next heard from Mr. Blake Swafford, a professional with over 20-years of experience in the aviation industry. Notably, Mr. Swafford served as the former President of the Georgia Airports Association, and the former Manager for Paulding Northwest Atlanta Airport. Mr. Swafford provided a brief history of Paulding Northwest Atlanta Airport including the Airport's recent growth efforts. The Committee was informed that Atlanta is the largest city in the United States with only one commercial service airport, while other major cities have numerous airports serving their metropolitan region. Mr. Swafford cited numerous examples of cities successfully adding additional commercial service airports, explaining these additional airports assist the metropolitan areas by providing access to Ultra-Low Cost Carriers (ULCC). ULCCs assist consumers who would not typically fly to travel, and service secondary and underserved markets. Mr. Swafford explained the possible benefits of a second airport in the Atlanta metropolitan area.

Meeting 4 – December 13, 2018

The Committee's fourth meeting was held on December 13th at the Georgia State Capitol. The Committee heard testimony from the following individuals:

- **Mr. J. Matthew Maguire, Jr.**, Partner, Parks, Chesin and Walbert Law Firm
- **Mr. Darren W. Penn**, Attorney, Penn Law Group LLC
- **Mr. John Selden**, General Manager, Hartsfield-Jackson Atlanta International Airport
- **Mr. David Wilson**, Chief Procurement Officer, City of Atlanta
- **Mr. Robert S. Highsmith, Jr.**, Partner, Holland & Knight; Government Affairs & Legal Counsel for City of Atlanta

During the Committee's fourth meeting, Mr. J. Matthew Maguire Jr. and Mr. Darren W. Penn were invited to share details from a previous lawsuit centered around contract bidding at Hartsfield-Jackson. Mr. Maguire and Mr. Penn represented Corey Airport Services, in a lawsuit challenging the manner in which an Airport advertising contract was awarded. Mr. Maguire and Mr. Penn provided the background facts of the case, describing the unfair nature of the request for proposal and bid award process. They described how the process was clearly slanted towards the preexisting contract holder, who originally obtained the contract through political ties. Mr. Maguire and Mr. Penn explained that although there is a proper procurement code established to regulate this process in a fair manner, repeatedly it has not been properly followed. Mr. Maguire and Mr. Penn informed the Committee at the resolution of the case, despite the clear unfair nature of the contract awarding process, aggrieved parties are currently left with no viable remedy.

The Committee next heard from newly appointed Hartsfield-Jackson Atlanta International Airport General Manager, John Selden. Mr. Selden informed the Committee of his background, and various positions leading to his appointment as the current General

Manager. Mr. Selden continued on to praise Hartsfield-Jackson and its many successes. He specifically cited Hartsfield-Jackson's low cost per passenger per enplanement as a vital piece of the Airport's success. Finally, Mr. Selden discussed his experiences operating in airports run by city governments and airports run by authorities, explaining the advantages and disadvantages of both.

The Committee also heard testimony from Mr. David Wilson, Chief Procurement Officer for the City of Atlanta. Mr. Wilson described his background before providing an overview of the City's procurement process. Mr. Wilson assured the Committee the procurement process conformed to legal requirements and best practices, before describing several recent improvements in the procurement process. Finally, Mr. Wilson provided a detailed description of the city's procurement process.

COMMITTEE FINDINGS AND RECOMMENDATIONS

This Committee began its investigation in response to consistent incidents and reports alleging corruption, unethical behavior, and political gamesmanship involving Hartsfield-Jackson Atlanta International Airport. The Committee sought to first fully investigate the validity and culpability of these repeated claims, while determining the feasibility of transferring management to an authority management structure. Included in the investigation into the feasibility of transferring airport operations was a necessary determination of regulatory requirements, along with current bond and lease obligations.

After a thorough investigation into these issues, this Committee has made the following specific findings:

- As this Committee investigated the incidents and allegations of unethical behavior involving management of Hartsfield-Jackson, it was able to determine a definite pattern and validity to these claims. This Committee found that these allegations rose above the level of mere speculation or rumors, and constituted actual and verifiable incidents of misconduct occurring under the management structure. While these incidents are in no way new, they are far from ancient history and cannot simply be dismissed as mistakes of the past. This pattern of concluded convictions, leading up to current investigations, demonstrates an institutional flaw greater than the missteps of a sole administration. Through its investigation, this Committee found no evidence of reform or safeguards to lead it to believe this pattern of allowable corruption could not continue on indefinitely;
- Through its work, the Committee sought to fully explore Hartsfield-Jackson's current bond and lease obligations to determine the feasibility of a transfer of operations. After a thorough investigation and consultation of industry experts, it is this Committee's opinion that while these issues are complicated, they present far from an insurmountable hurdle to a potential transfer;
- The existing bonds are tied exclusively to revenue that is generated from airport operations, and thus can follow the entity regardless of ownership or operation. The specific nature of these bonds would not negatively impact the credit rating or bonding capability of any absorbing institution;
- Despite efforts, the current lease obligations including Hartsfield-Jackson and various airlines are also capable of surviving a possible transfer. While large in scale, a transfer of these lease obligations represents nothing further than a landlord substitution for the remainder of the lease term;
- In summation, it is feasible to transfer the current obligations Hartsfield-Jackson's management is operating under to a new institution.

It was evident throughout the Committee's investigation of the tremendous success of Hartsfield-Jackson Atlanta International Airport. The State of Georgia is fortunate to have an entity the size and scope of Hartsfield-Jackson. The Airport operates as the State's largest economic engine and has helped spur enormous and unprecedented growth within the State. Since its institution, Hartsfield-Jackson has provided a unique and vital contribution to Georgia as a whole. Its growth for the past 40 years can't be compared to any equivalent entity of its kind.

The successes of Hartsfield-Jackson cannot be attributed to the Airport's sole managerial entity. It became apparent that numerous factors have contributed to the Airport's successes that deserve a share of credit including: partnerships with airlines, the Georgia Department of Transportation, the Federal Aviation Administration, the Metropolitan Atlanta Rapid Transit Authority, and local and county governments who all work to help promote and assist in accommodation for Hartsfield-Jackson.

Despite the high level of tangible success that Hartsfield-Jackson has experienced, this Committee believed it is necessary to evaluate the management structure in which the Airport operates. The successes of Hartsfield-Jackson alone are not a significantly compelling justification for this Committee to not question the management structure and explore possible improvements. This Committee has determined that Hartsfield-Jackson is too vital and important of an entity to the entire State of Georgia to be controlled by a sole department within a local political structure. There has been too much enticement existing under this structure from financial and political ties, and repeatedly the framework has proven itself ripe for illegal and unethical activities.

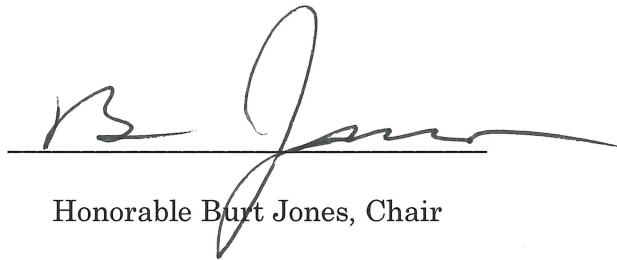
While there is no evidence to suggest the current City Administration has been involved in any disreputable activities involving the Airport, there is plenty of evidence to suggest that these activities will forever be present due to the current departmental structure. It became evident to this Committee that the temptation that is present due to the limitations in the managerial organization has repeatedly proven itself too great. This current organization does not allow the limited managers to be able to capably and solely manage an entity of the size and scope of Hartsfield-Jackson Atlanta International Airport.

This Committee recommends that a more proper and accountable structure, comprised and governed by individuals of varying backgrounds and experiences, be created to help oversee the business enterprise of a new authority designed to oversee the operation of Hartsfield-Jackson Atlanta International Airport. The Georgia State Legislature should look to the example set by institutions such as the Georgia World Congress Center Authority and the Georgia Ports Authority that have had continued success within the state, and a track record of accountability and the utmost ethical standards. An entity of this structure would allow for continued aviation growth benefitting the entire State of Georgia.

After months of diligent research involving industry experts, the City of Atlanta, and individuals intimately involved in all aspects of Hartsfield-Jackson Atlanta International Airport, it is the Committee's recommendation that an authority management structure for the Airport be seriously vetted and created for implementation by the Georgia State Legislature.

Respectfully Submitted,

**FINAL REPORT OF THE SENATE HARTSFIELD-JACKSON
ATLANTA INTERNATIONAL AIRPORT OPERATIONS AND
AUTHORITY CREATION STUDY COMMITTEE**

A handwritten signature in black ink, appearing to read "B. Jones", is written over a horizontal line. The signature is fluid and cursive, with a large loop for the letter "J".

Honorable Burt Jones, Chair

Senator, District 25

APPENDIX A

